
CANAL STREET DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013



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A Professional Accounting Corporation

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CANAL STREET DEVELOPMENT CORPORATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Canal Street Development Corporation

We have audited the accompanying financial statements of Canal Street Development Corporation (the Corporation), a discretely presented component unit of the City of New Orleans, Louisiana, a nonprofit organization under Internal Revenue Service Code Section 501(c)(3), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Canal Street Development Corporation as of December 31, 2014, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Corporation as of December 31, 2013, were audited by other auditors whose report dated May 22, 2014, expressed an unmodified opinion on those statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and the schedule of compensation, benefits and other payments to the executive director are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses and the schedule of compensation, benefits and other payments to the executive director are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015 on our consideration of Canal Street Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Postlethwaite + Netterville

New Orleans, Louisiana
June 26, 2015

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF NET ASSETS
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 12,864,195	\$ 10,495,044
Accounts receivable	509,753	1,236,048
Accrued interest receivable	41,899	27,943
Prepaid insurance	154,788	280,470
Due from the City of New Orleans	461,051	441,949
Due from New Orleans Building Corporation	220,392	110,083
Total current assets	<u>14,252,078</u>	<u>12,591,537</u>
<u>FIXED ASSETS</u>		
Unrestricted:		
Land	2,699,000	2,699,000
Building	6,523,578	6,523,578
Leasehold improvements	329,819	337,917
Computer equipment	33,815	11,540
	<u>9,586,212</u>	<u>9,572,035</u>
Less: accumulated depreciation	<u>(637,828)</u>	<u>(450,271)</u>
	8,948,384	9,121,764
Construction in progress	93,593	30,216
Total fixed assets - unrestricted	<u>9,041,977</u>	<u>9,151,980</u>
Restricted:		
Land	896,124	896,124
Building	7,619,246	7,619,246
Leasehold improvements	521,598	521,598
	<u>9,036,968</u>	<u>9,036,968</u>
Less: accumulated depreciation	<u>(4,082,680)</u>	<u>(3,870,904)</u>
Total fixed assets - restricted	<u>4,954,288</u>	<u>5,166,064</u>
Total fixed assets	<u>13,996,265</u>	<u>14,318,044</u>
<u>LONG TERM ASSETS</u>		
Loan receivable	<u>13,956,422</u>	<u>13,956,422</u>
Total long term assets	<u>13,956,422</u>	<u>13,956,422</u>
<u>TOTAL ASSETS</u>	<u>\$ 42,204,765</u>	<u>\$ 40,866,003</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable	\$ 31,908	\$ 71,729
Security deposit payable	10,000	10,000
Deferred revenue	17,854	1,320,139
Total liabilities	<u>59,762</u>	<u>1,401,868</u>
<u>NET ASSETS</u>		
Unrestricted	37,190,715	34,137,230
Temporarily restricted	4,954,288	5,326,905
Total net assets	<u>42,145,003</u>	<u>39,464,135</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 42,204,765</u>	<u>\$ 40,866,003</u>

The accompanying notes are an integral part of these financial statements.

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND SUPPORT</u>						
Lease income	\$ 16,919,324	\$ -	\$ 16,919,324	\$ 16,981,489	\$ -	\$ 16,981,489
Interest income	25,824	-	25,824	24,455	-	24,455
Net assets released from restrictions	372,617	(372,617)	-	209,735	(209,735)	-
Total revenues and other support	17,317,765	(372,617)	16,945,148	17,215,679	(209,735)	17,005,944
<u>EXPENSES</u>						
Program expenses	1,277,140	-	1,277,140	1,262,450	-	1,262,450
General and administrative expenses	837,499	-	837,499	552,173	-	552,173
Total expenses	2,114,639	-	2,114,639	1,814,623	-	1,814,623
Increase (decrease) in net assets before transfer	15,203,126	(372,617)	14,830,509	15,401,056	(209,735)	15,191,321
Transfer to the City of New Orleans	12,149,641	-	12,149,641	13,410,411	-	13,410,411
Increase (decrease) in net assets after transfer	3,053,485	(372,617)	2,680,868	1,990,645	(209,735)	1,780,910
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	34,137,230	5,326,905	39,464,135	32,146,585	5,536,640	37,683,225
<u>NET ASSETS AT END OF THE YEAR</u>	\$ 37,190,715	\$ 4,954,288	\$ 42,145,003	\$ 34,137,230	\$ 5,326,905	\$ 39,464,135

The accompanying notes are an integral part of these financial statements.

CANAL STREET DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 2,680,868	\$ 1,780,910
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	399,331	379,478
(Increase) decrease in:		
Accounts receivable	726,295	(995,313)
Accrued Interest receivable	(13,956)	(13,957)
Prepaid insurance	125,682	(280,468)
Due from the City of New Orleans	(20,315)	74,079
Due from New Orleans Building Corporation	(220,392)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(38,608)	(40,904)
Deferred revenue	(1,302,285)	77,399
Net cash provided by operating activities	<u>2,336,620</u>	<u>981,224</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash from merger	-	1,481,834
Purchase of property and equipment	(14,175)	(366,361)
Construction in progress	(63,377)	(21,830)
Net cash used in investing activities	<u>(77,552)</u>	<u>1,093,643</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from payment of loan receivable from CSDC	110,083	1,889,917
Net cash provided by financing activities	<u>110,083</u>	<u>1,889,917</u>
<u>NET INCREASE IN CASH EQUIVALENTS</u>	2,369,151	3,964,784
<u>CASH -BEGINNING OF YEAR</u>	10,495,044	6,530,260
<u>CASH - END OF YEAR</u>	<u>\$ 12,864,195</u>	<u>\$ 10,495,044</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Background:

Canal Street Development Corporation ("Organization" or "CSDC") is a nonprofit, public benefit corporation which was formed on August 8, 1989 under the Internal Revenue Code Section 501(c)(3). On January 28, 2013, the CSDC, Piazza D'Italia Development Corporation (PDDC) and Rivergate Development Corporation (RDC) merged their operations into CSDC. CSDC is the surviving public benefit corporation. CSDC assumed all assets, liabilities, and obligations of PDDC and RDC. CSDC has titles to all properties, movable and immovable, and leasehold interests, as lessor and lessee of all three corporations.

The Organization was established for the sole and exclusive purpose of stimulating business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. CSDC provides the enhancement, improvement, leasing and commercial development of the Piazza D'Italia and the property known as Piazza Parking Lots I and II and Rivergate Convention Center property and other properties as a casino, parking, support facilities and other related improvements or for any other lawful purpose and the distribution of the earnings there to the City of New Orleans.

The Organization's assets consist of the donation of the building known as the D.H. Holmes Building located in the 800 block of Canal Street, New Orleans, Louisiana ("Building"), the real property known as the D.H. Holmes Annex, and a parking garage. The Building was developed into a Hotel ("Hotel") comprised of separate dwelling units and commercial retail space, and the D.H. Holmes Annex was developed into an 87-unit apartment complex.

Canal Street Development Corporation is a proprietary activity which is reported as a component unit in the separate financial statements of the City of New Orleans, Louisiana. The Organization's Board of Directors is comprised of eleven members, of which one of whom shall be the District Councilmember representing District "B", one of whom shall be the District Councilmember representing District "C" and one of whom shall be a Councilmember At Large. The remaining eight members of the board shall be appointed by the Mayor of the City of New Orleans, Louisiana.

Basis of Accounting:

The Organization uses the accrual basis of accounting.

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions:

The Organization adopted Accounting Standards Codification (ASC) 958-605, *Accounting for Contributions Received and Contributions Made* in 1995. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-605, donor restricted contributions previously unreported are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Lease Income:

All leases on properties are classified as operating leases, and the related rental income is recognized over the terms of the related leases. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. The Organization is entitled to receive contingent rental income based on certain factors that must occur during the term of lease. It is the Organization's policy not to recognize contingent rental income until all factors surrounding payment have been satisfied.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Purchased property and equipment are carried at cost. Depreciation is provided using the straight line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Leasehold Improvements	39 years
Furniture and Fixtures	10 years
Office Equipment	5 years

Functional Expenses:

Expenses are charged directly to program expenses and management and administrative based on specific identification.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial Statement Presentation:

The Organization's net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is affiliated with a governmental unit, and it is not required to file IRS Form 990, Return of Organization Exempt from Income Tax.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. FIXED ASSETS:

CSDC has the following unrestricted and restricted fixed assets for the years ended December 31, 2014:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Land	\$ 2,699,000	\$ 896,124	\$ 3,595,124
Building	6,523,578	7,619,246	14,142,824
Equipment	33,815	-	33,815
Leasehold improvements	329,819	521,598	851,417
	<u>9,586,212</u>	<u>9,036,968</u>	<u>18,623,180</u>
Less: accumulated depreciation	<u>(637,828)</u>	<u>(4,082,680)</u>	<u>(4,720,508)</u>
	8,948,384	4,954,288	13,902,672
Construction in Progress	93,593	-	93,593
Total fixed assets	<u>\$ 9,041,977</u>	<u>\$ 4,954,288</u>	<u>\$ 13,996,265</u>

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. FIXED ASSETS (Continued):

CSDC has the following unrestricted and restricted fixed assets for the years ended December 31, 2013:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Land	\$ 2,699,000	\$ 896,124	\$ 3,595,124
Building	6,523,578	7,619,246	14,142,824
Equipment	11,540	-	11,540
Leasehold improvements	337,917	521,598	859,515
	<u>9,572,035</u>	<u>9,036,968</u>	<u>18,609,003</u>
Less: accumulated depreciation	<u>(450,271)</u>	<u>(3,870,904)</u>	<u>(4,321,175)</u>
	9,121,764	5,166,064	14,287,828
Construction in Progress	30,216	-	30,216
Total fixed assets	<u>\$ 9,151,980</u>	<u>\$ 5,166,064</u>	<u>\$ 14,318,044</u>

A portion of CSDC's fixed assets are temporarily restricted by the act of the donation agreement between D.H. Holmes and the Organization. The agreement states that the donee transferred title exclusively for public purposes. These include maintenance of the property, promotion of social welfare, combating community deterioration, increasing employment opportunities, increasing tourism, enhancing tourist amenities on Canal Street, and preserving and improving the historic and unique aesthetic quality of the Canal Street area. Donated property and equipment are depreciated using the straight line method over the estimated useful life of the asset. CSDC reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Depreciation expense was \$399,331 and \$379,478 for the years ended December 31, 2014 and 2013, respectively. Depreciation expense in the amount of \$211,773 and \$209,735 was reclassified from restricted net assets to unrestricted net assets for the year ended December 31, 2014 and 2013, respectively.

3. PENSION PLAN:

The Organization's employees are employees of the City of New Orleans and participate in the Employees' Retirement System of the City of New Orleans (Plan).

Plan Membership:

The Employees' Retirement System of the City of New Orleans covers all City employees except for fire and police employees.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. **PENSION PLAN (Continued):**

Plan Description:

The Employees' Retirement System of the City of New Orleans, a single-employer defined benefit pension plan is controlled and administered by a separate Board of Trustees. The Plan covers all employees of Canal Street Development Corporation. The Plan provides retirement, deferred and disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report for the Plan may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 1300 Perdido Street, New Orleans, Louisiana 70131.

Basis of Accounting:

The financial statements of the Plan are prepared using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions are recognized as revenue in the period in which employee services are performed. Interest income is recognized in the period earned and dividends are recognized in period declared.

Plan members are required to contribute 6% of their annual covered salary in excess of \$1,200. Employers are required to contribute an actuarially determined rate. For the year ended December 31, 2014 the actuarially required contribution rate for employers was 21.78% of covered payroll. At December 31, 2014 and 2013, employee and employer contributions were \$86,370 and \$51,707, respectively. The contribution requirement of plan members and CSDC are established and may be amended by state statute.

4. **LEASING ARRANGEMENTS:**

D.H. HOLMES PROPERTY

The property, on which the project is constructed, designated as the "D.H. Holmes Property", was donated to CSDC. This property was subsequently leased to Historic Restoration, Inc. ("HRI") originally under one lease and later amended into separate leases, for the purpose of developing residential apartments, a first-class hotel and a parking garage to serve the public. The original lease, the hotel's eight lease amendments, and the apartment's seven lease amendments have been approved by the Council of the City of New Orleans.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

The separate leases signed by and between CSDC (Landlord) and HRI and/or its affiliates include: (1) Seventh Amendment and Restatement of Apartments Lease Agreement dated March 30, 1994, (2) the Sixth Amendment and Restatement of Hotel Lease dated September 15, 1993, as amended by First Amendment to Sixth Amendment and Restatement of Hotel Lease Agreement dated May 6, 1997, Second Amendment to Sixth Amendment and Restatement of Hotel Lease dated August 30, 2000, Seventh Amendment and Restatement of Hotel Lease Agreement dated October 23, 2007, and Eighth Amendment and Restatement of Hotel Lease Agreement dated September 2, 2011, (3) the Hotel Parking Lease dated September 15, 1993, as amended by First Amendment to Hotel Parking Lease dated May 6, 1997, Amended and Restated Hotel Parking Lease Agreement dated October 23, 2007, and Second Amended and Restated Hotel Parking Lease Agreement dated September 2, 2011, and (4) the Apartments Parking Lease dated September 15, 1993, as amended by First Amendment and Restatement of Apartments Parking Lease dated March 30, 1994.

On March 30, 1994, HRI assigned and transferred its interest in the Seventh Amendment and Restatement of Apartments Lease Agreement to 800 Iberville Street Limited Partnership ("Iberville").

HRI assigned and transferred its interest in the Sixth Amendment and Restatement of Hotel Lease (hereinafter referred to as the "Hotel Lease") to the 800 Canal Street Limited Partnership ("800 Canal"). 800 Canal Street Limited Partnership assigned its interest in the Seventh Amendment and Restatement of Hotel Lease to Guitar Partners, LLC ("Guitar Partners"), wholly owned by 800 Canal. Immediately following the Guitar Partners Assignment, Guitar Partners assigned its interest in the Seventh Amendment and Restatement of Hotel Lease to CWI-HRI French Quarter Hotel Property, LLC. Additionally, 800 Canal assigned and transferred its interest in the First Amendment to the Hotel Parking Lease to Sonesta Louisiana Hotel Corporation, who then assigned its interest in the lease to HRI Parking Corporation. In connection with the 2007 Chateau Sonesta Hotel Restructuring, said assignments of the First Amendment of the Hotel Parking Lease were terminated and 800 Canal assigned and transferred its interest in the Amended and Restated Hotel Parking Lease to HRI Lodging Incorporated, who then assigned and transferred its interest in the lease to HRI Parking Corporation. Subsequently, 800 Canal assigned its interest in the 2007 Hotel Parking Lease to Guitar Partners, LLC. Immediately following the Guitar Partners Assignment, Guitar Partners assigned its interest in the 2007 Hotel Parking Lease to CWI-HRI French Quarter Hotel Property, LLC.

The Organization leases a portion of the D.H. Holmes Property not included in the hotel, apartments and garage leases to Chifoci Enterprises, LLC d/b/a Deanie's Seafood Restaurant. The original lease was signed in 2000 with an amendment in 2007.

Following are the terms of the individual leases on the D.H. Holmes Property.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

Tenant 800 Iberville -Apartments Lease:

The Apartments Lease commenced December 1, 1989. The Eighth Amendment and Restatement of the Apartments Lease Agreement was entered into on October 10, 2014 but made effective as of January 1, 2014. Terms of the amended and restate lease are as follows:

The term of the lease is 99 years and ends December 31, 2113.

1) Fixed Rent:

- a) Prior to January 1, 2014 Fixed Rent was as follows:
 - i. Year one commencing December 1, 1994 - \$32,400 annually
 - ii. Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing December 1, 1995 in accordance with the CPI and Fixed Rent Appraisal provisions of the Apartments Lease
 - iii. Years sixteen (16) and every 10 years thereafter, Fixed Rent is tied to Market Value by appraisal
- b) January 1, 2014 through December 31, 2015 - \$205,000 per year.
- c) January 1, 2016 through the expiration or earlier termination of the lease - Fixed Rent shall be adjusted annually (but not decreased) by the increase in CPI during the previous year. The maximum annual CPI adjustment will be seven percent (7%) unless the increase in CPI and the average apartment rent per square foot charged by the Tenant exceed 7%. If this occurs, that increase will be the maximum allowed.

800 Iberville is entitled to a reduction in annual fixed rent equal to the Air Rights Rent paid to CSDC.

Fixed Rent paid as of December 31, 2014 is \$169,171. In the year ended December 31, 2013 \$716,535 was paid in Fixed Rent and included unpaid rents from 2011 and 2012 as well as 2013. In addition to all fixed and percentage rent paid since December 1, 2010, 800 Iberville paid CSDC \$750,000 upon execution of the Eighth Amendment and Restatement of the Apartments Lease Agreement to settle all current and past unpaid rent due.

2) Percentage Rent:

- a) Prior to January 1, 2014, Percentage Rent was due in the amount of six percent (6%) of gross income as defined in the Apartments Lease, in excess of \$1,125,000 (the "Percentage Rent Threshold Level"). If Fixed Rent exceeds \$67,800 due to the market value appraisal, the "Percentage Rent Threshold" is increased annually by the quotient of Fixed Rent divided by 6%.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

- b) Commencing January 1, 2014, percentage rent is calculated at six percent (6%) of gross income in excess of \$3,416,667. The threshold is calculated on an annual basis by dividing the Fixed Rent in effect for such a year by six percent (6%).

The percentage rent paid for the years ended December 31, 2014 and 2013 was \$0.

3) **Additional Rent:**

- a) Prior to January 1, 2014 CSDC received two-thirds (2/3) of all monies received as percentage rent from third parties.
- b) Commencing January 1, 2014, Additional Rent is calculated as two-thirds of all monies received as percentage rent from LFBP #1, LLC and V Restaurant Group and 41% of all monies received as percentage rent from all other commercial tenants.

The additional rent paid as of December 31, 2014 and 2013 was \$102,264 and \$59,047, respectively

- 4) **Base Commercial Rent Participation:** Commencing March 1, 2005, thirty percent (30%) of any base or fixed commercial rent paid by G.W. Fins and V Sushi and fifty percent (50%) of any rents paid by Deanie's is due to CSDC. Base Commercial Rent Participation paid as of December 31, 2014 and 2013 was \$62,943 and \$31,505, respectively.
- 5) **Air Rights Rent:** CSDC is entitled to receive in advance Landlord Air Rights Rent in the amount of \$5,700 per annum, commencing on the Rental Commencement Date (December 1, 1994). Beginning December 1, 2000, the rent will increase by 15% every five years. For the years ended December 31, 2014 and 2013, Air Rights Rent was \$8,669 and \$7,947, respectively.
- 6) **Landlord Administrative Expense (LAE):** The Landlord shall receive a certain minimum amount of annual revenue for Landlord Administrative Expenses. LAE shall not be payable in addition to any rent unless the sum of such annual rent payments total less than \$12,000 per year, or unless there is an event of foreclosure. For the years ended December 31, 2014, no Landlord Administrative Expense reimbursement was received.

On June 22, 2000, the Apartments (800 Iberville Street Limited Partnership) entered into a contract with LFBP #1, LLC (Little Fish, Big Pond), for the operation of a restaurant, including all uses incidental or related, under the trade name of G. W. Fins. The tenant has agreed to continuously use, occupy and operate the business except for (a) casualty, (b) holidays on which restaurants within the French Quarter are generally closed for business, or (c) up to fourteen (14) business days in any calendar year for repairs or renovations to the Premises.

The term of the lease is for forty-two (42) years commencing on the Term Commencement Date. The restaurant did not open for business until March 2001.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

Subtenant - LFBP #1, LLC:

- 1) Fixed Rent: Commencing with the term commencement date, base rent is payable as follows:
 - a) Year 1 - \$5.00 per square foot, or \$35,000 annually.
 - b) Year 2 - \$5.20 per square foot, or \$36,400 annually.
 - c) Year 3 - \$5.41 per square foot, or \$37,856 annually.
 - d) Year 4 - \$5.62 per square foot, or \$39,970 annually.
 - e) Year 5 - \$5.85 per square foot, or \$40,945 annually.
 - f) Year 6 - \$6.08 per square foot, or \$42,583 annually.
 - g) Year 7 - \$6.33 per square foot, or \$44,286 annually.
 - h) Year 8 - \$6.58 per square foot, or \$46,048 annually.
 - i) Year 9 - \$6.84 per square foot, or \$47,900 annually.
 - j) Year 10 - \$7.12 per square foot, or \$49,816 annually.
 - k) Year 11 - \$10.25 per square foot, or \$71,750 annually.
 - l) Year 12 - \$10.66 per square foot, or \$74,620 annually.
 - m) Year 13 - \$11.09 per square foot, or \$77,605 annually.
 - n) Year 14 - \$11.53 per square foot, or \$80,709 annually.
 - o) Year 15 - \$12.53 per square foot, or \$87,709 annually.
 - p) Year 16 - \$16.00 per square foot, or \$112,000 annually.
 - q) Year 17 - \$16.64 per square foot, or \$116,480 annually.
 - r) Year 18 - \$17.31 per square foot, or \$121,139 annually.
 - s) Year 19 - \$18.00 per square foot, or \$125,985 annually.
 - t) Year 20 - \$18.72 per square foot, or \$131,024 annually.
 - u) Year 21 through 42 - to be negotiated in year 20 of the lease.
- 2) Percentage Rent: Commencing one month after the commencement date, percentage rent is payable as follows:
 - a) Year 1 - Five percent (5%) of Gross Sales over \$2,508,878.
 - b) Year 2 - Five percent (5%) of Gross Sales over \$2,536,878.
 - c) Year 3 - Five percent (5%) of Gross Sales over \$2,565,998.
 - d) Year 4 - Five percent (5%) of Gross Sales over \$2,596,283.
 - e) Year 5 - Five percent (5%) of Gross Sales over \$2,627,779.
 - f) Year 6 - Five percent (5%) of Gross Sales over \$2,660,535.
 - g) Year 7 - Five percent (5%) of Gross Sales over \$2,694,602.
 - h) Year 8 - Five percent (5%) of Gross Sales over \$2,730,030.
 - i) Year 9 - Five percent (5%) of Gross Sales over \$2,766,877.
 - j) Year 10 - Five percent (5%) of Gross Sales over \$2,805,196.
 - k) Year 11 - Five percent (5%) of Gross Sales over \$3,243,878.
 - l) Year 12 - Five percent (5%) of Gross Sales over \$3,301,278.
 - m) Year 13 - Five percent (5%) of Gross Sales over \$3,360,974.
 - n) Year 14 - Five percent (5%) of Gross Sales over \$3,423,058.
 - o) Year 15 - Five percent (5%) of Gross Sales over \$3,563,058.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

- p) Year 16 - Five percent (5%) of Gross Sales over \$4,048,878
- q) Year 17 - Five percent (5%) of Gross Sales over \$4,138,478.
- r) Year 18 - Five percent (5%) of Gross Sales over \$4,231,662.
- s) Year 19 - Five percent (5%) of Gross Sales over \$4,328,574.
- t) Year 20 - Five percent (5%) of Gross Sales over \$4,429,361.
- u) Year 21 through 42 - to be negotiated in year 20 of the lease.

- 3) Operating Costs: Tenant shall pay its pro rata share (4.82%) of property taxes and insurance premiums for all insurance maintained in connection with the Building.

Subtenant Chifci Enterprises, Inc. d/b/a Deanie's Seafood Restaurant:

On December 9, 2003, the Board of Directors approved the terms of an additional lease with Deanie's Seafood Restaurant for approximately 742 square feet on the first floor of the former D.H. Holmes annex along Iberville Street to be used as additional private dining and banquet space for Deanie's Seafood Restaurant.

The term of the lease will run coterminous with the existing lease expiring on August 15, 2015. The lease term will begin on or about the earlier of 120 days following the tenant's receipt of the permits for tenant improvements, or the date the tenant opens for business.

Base rental rate is \$12.00 per square foot. Percentage rent does not apply. The rent will escalate in a proportionate share to the original lease dated February 17, 2000. The tenant will have three (3) options to extend for periods of five (5) years each commencing at the tenth anniversary of the original lease term.

Subtenant V Restaurant Group, LLC:

Summary of Sublease Agreement (the "Sublease") by and between V Restaurant Group, L.L.C. and 800 Iberville Street Limited Partnership, dated July 20, 2012 (the "Effective Date").

- 1) Parties:
 - a) Landlord: 800 Iberville Street Limited Partnership
 - b) Tenant: V Restaurant Group, L.L.C.
- 2) Leased Premises (Section 1.01(J)): That portion of ground (first) floor of the DH Holmes Apartments situated in the City of New Orleans, Parish of Orleans, State of Louisiana. The area of the Leased Premises is deemed to be 7,260 square feet.
- 3) Lease Year: The first Lease Year shall be October 18, 2012 through October 31, 2013. Each Lease Year thereafter shall be a period of twelve (12) successive calendar months commencing of November 1, provided, however, that the last Lease Year will end on October 18.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

- 4) Term (Section 1.01(CN)): The initial term of this Sublease shall begin on October 18, 2012 and expire on October 18, 2022 ("Initial Term"). Tenant shall have two (2) options to extend the Lease Term for successive periods of five (5) Lease Years each ("Extension Term or Terms), upon the terms and conditions set forth hereinafter.
- 5) Fixed Minimum Rent (Section 1.01(P)): \$7 per square foot for the first lease year increases by 4% per year.
- 6) Percentage Rent (Section 1.01(O)): 5% of Gross Receipts in excess of the amount of the Breakpoint.
- 7) Operating Cost Payment (Section 4): Tenant shall pay along with its monthly installments of Fixed Rent its 5.90% proportionate share of Operating Costs, Real Estate Taxes and Insurance Premiums based on estimates made by the Landlord.

Tenant CWI-HRI French Quarter Hotel Property, LLC - Hotel Lease:

Summary of Eighth Amendment and Restatement of Hotel Lease Agreement by and between Canal Street Development Corporation ("CSDC") and CWI-HRI French Quarter Hotel Property, LLC dated September 2, 2011 (the "Lease").

- 1) Parties:
 - a) Landlord: CSDC
 - b) Tenant: CWI-HRI French Quarter Hotel Property, LLC.
- 2) Leased Premises: certain fee simple and leasehold estates owned or leased by CSDC, situated in Square 67, Second Municipal District, New Orleans, Louisiana, described more particularly in Schedule "1" of the Lease, together with all improvements and constructions thereon, and all appurtenances thereunto appertaining, and the Air Space described on Schedule "16" to the Lease. The Leased Premises includes CSDC's leasehold estate under the Salmen Lease.
- 3) Term (Section 5):
 - a) Primary term: ninety-nine (99) years, from September 2, 2011 to September 2, 2110
 - b) Option: none
- 4) Rent (Section 7):
 - a) Types of Rent:
 - i. Base Rent
Payable monthly, in advance of the first of each month, as follows:
 - a. Year one-\$300,000 for the year

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

- b. Year two through the expiration or earlier termination of the lease, base rent shall be annually adjusted commencing on the first anniversary of the effective date, but not decreased.
 - 1. Annual adjustment based upon the greater of (i) 3% or (ii) the extent to which the CPI has increased during the previous year.
- c. CWI-HRI French Quarter Hotel Property, LLC shall be entitled to a reduction in the monthly base rent payable to CSDC equal to the monthly air rights rent paid.

For the years ended December 31, 2014 and 2013, base rent was \$314,526 and \$305,992, respectively.

- ii. Percentage Rent (Payable within 90 days following the end of each calendar year - by March 31st (March 30th in leap years)) as follows:
 - a. 4.5% of Gross Income in excess of the annual threshold. The percentage rent threshold level shall be calculated on an annual basis by dividing the sum of (i) Base Rent (ii) rent under the Salmen lease paid by Tenant and (iii) rent under the Comer Lot lease paid by Tenant, in effect for such year by 4.5%.
 - b. Definition of "Gross Income" modified to exclude garage revenue (but not Hotel Valet Parking Revenue) and telephone charges (but not telephone commissions) collected from guests on behalf of the telephone company. Gross Income is defined in Section 7A of the Lease.

For the years ended December 31, 2014 and 2013, percentage rent was \$355,556 and \$281,095, respectively.

- iii. Additional Rent: 41% of all monies actually received by CWI-HRI French Quarter Hotel Property, LLC for any percentage rental from third party tenants; payable within 30 days of receipt by CWI-HRI French Quarter Hotel Property, LLC. CWI-HRI French Quarter Hotel Property, LLC must use commercially reasonable efforts to collect all percentage rent and other rent due from any third party.

For the years ended December 31, 2014 and 2013 additional rent was not due.

- iv. Base Commercial Rent Participation: 41% of any base commercial rent paid to CWI-HRI French Quarter Hotel Property, LLC and hotel operator by any commercial subtenant (excluding base commercial rent paid by hotel operator to CWI-HRI French Quarter Hotel Property, LLC); payable within 30 days of receipt by CWI-HRI French Quarter Hotel Property, LLC.

For the years ended December 31, 2014 and 2013, Base Commercial Rent Participation was \$368,850 \$254,493, respectively.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

- v. Air Rights Rent: \$501.89 per month, subject to 15% increase every five years (the next increase will take effect 12/1/2015).

For the years ended December 31, 2014 and 2013, Air Rights Rent was \$6,926.

Subtenant-RPM Fro-Yo, LLC:

Summary of Sublease Agreement (the "Sublease") by and between RPM Fro-Yo, L.L.C. and French Quarter Hotel Operator, Inc., dated April 25, 2012 (the "Effective Date").

- 1) Parties:
Landlord: French Quarter Hotel Operator, Inc.
Tenant: RPM Fro-Yo, L.L.C.
- 2) Leased Premises (Section 1.01(J)): That portion of ground (first) floor of the Hotel situated in the City of New Orleans, Parish of Orleans, State of Louisiana with an approximate area of 2,056 square feet (the "Leased Premises"). The Leased Premises are designated as 819 Canal Street, Suite C, New Orleans, Louisiana 70130.
- 3) Term (Section 1.01(N)): The initial term of this Sublease shall be five (5) consecutive Lease Years ("Initial Term") commencing on July 31, 2012 ("Commencement Date") and ending on July 30, 2017. Tenant shall have one (1) option to extend the Lease Term for a period of five (5) Lease Years.
- 4) Lease Year: If the Commencement Date is other than the first day of a calendar month, the first lease year ("Lease Year") shall be the period of time from said Commencement Date to the end of the month in which said Commencement Date shall occur plus the following twelve (12) calendar months. Each Lease Year thereafter shall be a period of twelve (12) successive calendar months commencing with each anniversary of the first day of the first full month following the Commencement Date, provided, however, that the last Lease Year will end on July 30.
- 5) Fixed Minimum Rent (Section 1.01(P)):

<u>Lease Years</u>	<u>Monthly</u>	<u>Annual</u>	<u>\$/PSF</u>
Year 1	\$4,112.00	\$49,344.00	\$24.00
Year 2	\$4,283.33	\$51,399.96	\$25.00
Years 3-5	\$4,454.67	\$53,456.04	\$26.00
Year 6	\$4,797.33	\$57,567.96	\$28.00
Year 7	\$4,917.27	\$59,007.24	\$28.70
Year 8	\$5,040.63	\$60,487.56	\$29.42
Year 9	\$5,165.70	\$61,988.40	\$30.16
Year 10	\$5,294.20	\$63,530.40	\$30.90

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. LEASING ARRANGEMENTS (Continued):

- 6) Operating Cost Payment (Section 4.05): During the First Lease Year the amount is \$2.23 per square foot per year (\$4,584.88 per year). Each subsequent Lease Year the amount is increased by 3% over the amount for the immediately preceding Lease Year. Notwithstanding this fixed Operating Cost Payment, if the Real Estate Taxes or the Insurance Premiums increase by more than 3% in any Lease Year then this additional increase will be included in the Operating Cost Payment.
- 7) Security Deposit (Section 1.01(U)): \$4,112.00

Subtenant-Hard Rock Cafe International (STP), Inc.:

Summary of Amended and Restate Sublease Agreement (the "Sublease") by and between Hard Rock Cafe International (STP), Inc. and French Quarter Hotel Operator, Inc., dated April 26, 2012 (the "Effective Date").

- 1) Parties:
Landlord: French Quarter Hotel Operator, Inc.
Tenant: Hard Rock Cafe International (STP), Inc.
- 2) Leased Premises (Section 1.01(J)): That portion of ground (first) floor of the Hotel situated in the City of New Orleans, Parish of Orleans, State of Louisiana with an approximate area of 10,144 square feet (the "Leased Premises"). The Leased Premises are designated as Spaces F, G and H at the municipal address 125 Bourbon Street, New Orleans, Louisiana 70130.
- 3) Lease Year: The First Lease Year shall be April 26, 2012 through December 31, 2012. Each Lease Year thereafter shall be a period of twelve (12) successive calendar months commencing on January 1, provided however, that the Last Lease Year will end on May 14, 2038.
- 4) Amendment Term (Section 1.01(N)): April 26, 2012 through May 14, 2038.
- 5) Fixed Minimum Rent (Section 1.01(O)): \$202,880 first period ending December 31, 2012, \$320,000 January 1, 2013 - December 31, 2018, scheduled increases of 10% for each 6 year period thereafter ending May 14, 2038.
- 6) Credit for 2012 Fixed Minimum Rent Paid (Section 3.10): Landlord credited the 2012 Fixed Rent Amount of \$137,533 to the monthly Fixed Minimum Rent due in 2013 as follows: The lessor of \$16,906.67 or the remaining uncredited balance of the 2012 Fixed Rent Amount until the 2012 Rent Amount is \$0.
- 7) Percentage Rent (Section 3.04): 5% of Gross Receipts in excess of the amount of the Breakpoint.

With respect to the Lease Year commencing January 1, 2013, any rent credits will not reduce the Breakpoint.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. **LEASING ARRANGEMENTS (Continued):**

- 8) Operating Cost Payment (Section 4): The initial Operating Costs, Taxes and Insurance are listed on the attached Initial Operating Costs Schedule. Landlord will deliver an Annual Costs Notice setting out the actual costs 90 days after each calendar year and payments will be adjusted accordingly.

Subtenant-Pop This!, LLC:

Summary of Sublease Agreement (the "Sublease") by and between Pop This!, L.L.C. and French Quarter Hotel Operator, Inc., dated June 25, 2012 (the "Effective Date").

- 1) Parties:
Landlord: French Quarter Hotel Operator, Inc.
Tenant: Pop This!, L.L.C.
- 2) Leased Premises (Section 1.01(J)): That portion of ground (first) floor of the Hotel situated in the City of New Orleans, Parish of Orleans, State of Louisiana with an approximate area of 915 square feet (the "Leased Premises"). The Leased Premises are designated as 819 Canal Street, Suite A, New Orleans, Louisiana 70130.
- 3) Term (Section 1.01(N)): The initial term of the Sublease shall be three (3) consecutive Lease Years ("Initial Term") commencing on October 31, 2012 ("Commencement Date"). Tenant shall have two (2) options to extend the Lease Term successive periods of two (2) Lease Years each.
- 4) Lease Year: Each Lease Year shall be a period of twelve (12) successive calendar months commencing with each anniversary of the Commencement Date.
- 5) Fixed Minimum Rent (Section 1.01(P)): Fixed Minimum Rent during the Initial Term is \$1,982.50 per month (aggregating \$23,790.00 per year). The Fixed Minimum Rent for the renewal options shall be determined by the Consumer Price Index but in no event shall it be lower than 108% of the Fixed Minimum Rent for the Initial Term.
- 6) Operating Cost Payment (Section 4.05): During the First Lease Year the amount is \$2.23 per square foot per year (\$2,040.45 per year). Each subsequent Lease Year the amount is increased by 3% over the amount for the immediately preceding Lease Year. Notwithstanding this fixed Operating Cost Payment, if the Real Estate Taxes or the Insurance Premiums increase by more than 3% in any Lease Year then this additional increase will be included in the Operating Cost Payment.
- 7) Monthly Water Charge (Section 6.01): Tenant will pay as additional rent a monthly charge for water that is equal to \$57.18 per month (\$.75 per square foot, per year) which amount will be increased annually, on or before the first day of each Lease Year by 3%.
- 8) Security Deposit (Section 1.01(U)): \$1,982.50

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

Subtenant - Red Fish Grill:

On August 7, 1996, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with 115 Bourbon, LLC (Red Fish Grill) for the operation of a restaurant, bar, restaurant-related catering and/or other related purposes having a character and quality similar to and consistent with that of the Hotel as of the date of the execution of the Lease, with sales of food and alcoholic beverages primarily on-premises, and the kitchen, office, and support facilities necessary for this use. Beginning September 3, 2011, the lease was assigned to CWI-HRI French Quarter Hotel Property under the same terms.

The term of the Lease is for forty (40) years and is effective as of January 16, 1997, the Lease Commencement Date.

- 1) **Fixed Rent:** Commencing with the Lease Commencement Date (January 16, 1997) and continuing until the end of the term, Tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:
 - a) Year one - \$12.50 per square foot, or \$8,977 per Lease period for a total of \$116,700 annually.
 - b) Years two through ten - \$12.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - c) Years eleven (11) through fifteen (15) - \$15.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - d) Years sixteen (16) through twenty (20) - \$17.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - e) Years twenty-one (21) through twenty-five (25) - \$20.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - f) Years twenty-six (26) through thirty (30) - \$22.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - g) Years thirty-one (31) through thirty-five (35) - \$25.00 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.
 - h) Years thirty-six (36) through forty (40) - \$27.50 per square foot or 80% of previous lease year's combined Percentage Rent and Fixed Minimum Rent, whichever is greater, but not less than the previous Lease Year's Fixed Minimum Rent.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

- 2) **Percentage Rent:** As a further inducement for the Landlord's entering into this Lease with Red Fish Grill, the Tenant will pay a Percentage of Gross Receipts (as defined in the Lease) as follows:

<u>Increments of Gross Receipts</u>	<u>Percentage</u>
\$0 - \$3,000,000	3%
\$3,000,001 - \$6,000,000	5%
Excess over \$6,000,000	4.5%

- 3) **Operating Costs:** The tenant will pay a proportionate share of all costs incurred by the Landlord for management, maintenance or capital improvements to the building.
- 4) **Real Estate Tax and Insurance Expenses:** The tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes and insurance paid.

Subtenant - Studio E:

On July 1, 2008, the Hotel (800 Canal Street Limited Partnership) entered into a Lease with Studio-E LLC (Studio E) for the operation of a first-class hair salon with retail sale of related merchandise that is customary in first-class hair salons and with rights to hang artworks on the wall for sale, but only in conjunction with the primary use of the leased premises as a first-class hair salon. Beginning September 3, 2011, the lease was assigned to CWI-HRI French Quarter Hotel Property under the same terms.

The lease term is for five (5) years beginning on the Lease Commencement Date of November 11, 2008. The Tenant shall have one option to extend the lease term for a period of five (5) years.

- 1) **Fixed Rent:** Commencing with the Lease Commencement Date, November 11, 2008, and continuing until the end of the term, Tenant shall pay a fixed minimum rent to the Landlord on a monthly basis as follows:

Initial Term: \$1,500 per month for total of \$18,000 annually

Extension term: \$1,725 per month for a total of \$20,700 annually

- 2) **Fixed Minimum Rent Construction Credit:** Under the terms of the lease, when the tenant completed the initial improvements to the property, the tenant will provide the landlord with a full accounting for and reasonable evidence of its out-of-pocket expenditures and lien waivers from all contractors, subcontractors and suppliers of materials who have constructed or performed work or provided materials in connection with the initial improvements. The tenant will be permitted to deduct the initial improvement costs from its first twelve (12) months of fixed minimum rent in an aggregate amount not to exceed \$18,000.
- 3) **Proportionate Share of Commercial Space Expense:** Tenant is expected to pay a proportionate share (calculated to be 2.05%) of commercial space expenses including, but not limited to insurance, lease management fees and commissions, real estate taxes, repairs and maintenance.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. LEASING ARRANGEMENTS (Continued):

Tenant CWI-HRI French Quarter Hotel Property, LLC - Hotel Parking Lease:

Summary of Second Amended and Restated Hotel Parking Lease by and between Canal Street Development Corporation ("CSDC") and CWI-HRI French Quarter Hotel Property, LLC effective as of September 2, 2011 (the "Lease").

- 1) Parties:
Landlord: CSDC (Lessee under the Mercier Ground Lease) -
Tenant: CWI-HRI French Quarter Hotel Property, LLC
- 2) Leased Premises (Section 2): Former D.H. Holmes Parking Garage (contains approximately 340 parking spaces) and all improvements, located in part on land owned by Mercier Realty & Investment Co., and in part on land owned by CSDC (the "Garage"), together with entrance and exit ramp facilities and the non-exclusive right and license to use certain lobby and elevator facilities appurtenant thereto (the "Leased Premises")
- 3) Term (Section 3):
 - a) Primary term: ninety-nine (99) years, from September 2, 2011 to September 2, 2110
 - b) Option Term(s): Following the initial 30-year period of the Term (the "Initial" period), which Initial period shall include the period from September 2, 2011 through December 31, 2042, CSDC and CWI-HRI French Quarter Hotel Property, LLC will negotiate the rent and other terms of the Lease for each successive 10 year period (each an "Option Period").
 - i. CWI-HRI French Quarter Hotel Property, LLC shall deliver the proposed terms and conditions to CSDC not less than 90 days prior to the end of the Initial period or then-current Option period. The terms and conditions for the next Option period shall be negotiated in good faith by the parties prior to the expiration of the Initial Period or then-current Option period.
 - ii. CSDC must timely exercise each option granted under the Mercier Ground Lease, provided that CWI-HRI French Quarter Hotel Property, LLC furnishes CSDC with notice of exercise not less than 60 days prior to the last day on which CSDC may exercise.
 - c) Termination: Notwithstanding options granted, Lease will automatically terminate concurrently with the expiration, termination, or cancellation of the Hotel Lease. If Mercier Ground Lease is terminated or expires, Lease shall terminate as of same date, subject to any non-disturbance and attornment or similar rights granted directly by Mercier to CWI-HRI French Quarter Hotel Property, LLC or its Mortgagee. CSDC has the right to terminate, or to make equitable adjustment to, the Lease if CSDC's right under the Mercier Ground Lease are substantially reduced as a result of circumstances reasonably beyond CSDC's control.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

4) Rent (Section 4):

a) Types of Rent:

- i. Fixed Minimum Rent (Section 4(a)): Payable monthly, in advance on the first of each month, as follows:
 - a. During the first five (5) years of the Initial period, plus the period from September 2, 2011 through December 31, 2011: \$209,570 per annum, plus the amount of any Mercier increases, payable in equal monthly installments of \$17,464, plus the amount of any Mercier increases.
 - b. During the second five (5) year period of the Initial period, the Fixed Minimum Rent shall be \$250,000 per annum, plus the amount of any Mercier increases, payable in equal monthly installments of \$20,833, plus the amount of any Mercier increases.
 - c. During the last twenty (20) years of the Initial period, the Fixed Minimum Rent shall be increased annually by the greater of (i) three percent (3.00%) of the Fixed Minimum Rent in effect for the immediately preceding Lease year or (ii) the amount by which the CPI has increased during the previous year, subject to certain limitations as set forth in Section 4(a) of the lease.

For the year ended December 31, 2014 and 2013, fixed rent was \$252,354 and \$249,874, respectively.

- ii. Percentage Rent (Section 4(b)): Payable on or before the 10th of each month.
 - a. Percentage rent shall be an amount equal to fifty percent (50%) multiplied by the difference between (i) Gross Garage Revenue after subtracting Hotel Valet Parking Income and (ii) to the extent paid by Tenant, the sum of CWI-HRI French Quarter Property, LLC's proportionate share of operating costs, operating expenses, insurance premiums, the Monthly Capital Improvement Fund Deposit, and Fixed Minimum Rent (including Mercier increases, which include real estate taxes payable under the Mercier Lease).
 - b. On or before the tenth (10th) day following the end of each calendar month, CWI-HRI French Quarter Property, LLC shall furnish CSDC with a written statement certified to be correct by CWI-HRI French Quarter Property, LLC showing the Percentage Rent due from the beginning of the Lease Year to the end of the preceding calendar month or portion thereof and setting forth the (i) the amount of Gross Garage Revenues generated in, at, or from the Leased premises; (ii) Hotel Valet Parking Income; (iii) CWI-HRI French Quarter Property, LLC's proportionate share of operating costs; (iv) Operating expenses; (v) Insurance premiums paid by CWI-HRI French Quarter Property, LLC; (vi) the Monthly Capital Improvement Fund deposit; and (vii) Fixed Minimum Rent (separately identifying any amounts

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. **LEASING ARRANGEMENTS (Continued):**

paid to Mercier on CSDC's behalf as rent and for payment of real estate taxes) (such statement is the "Monthly Statement").

- c. Within thirty (30) days following the end of each Lease Year in which Percentage Rent is due to CSDC, CWI-HRI French Quarter Property, LLC shall compute the amount of Percentage Rent due to CSDC for such Lease year. If the amount computed is such that CWI-HRI French Quarter Property, LLC has underpaid any Percentage Rent, CWI-HRI French Quarter Property, LLC shall pay CSDC the deficiency within ten (10) days following the date of such reconciliation. If, on the other hand, CWI-HRI French Quarter Property, LLC has overpaid the amount of Percentage Rent due to CSDC for such Lease Year, then CWI-HRI French Quarter P18-19property, LLC shall be entitled to offset the excess amount so paid out of the installment(s) of Fixed Minimum Rent next due to CSDC, until repaid, except in the final Lease Year, in which CSDC shall promptly pay such excess to CWI-HRI French Quarter Property, LLC following expiration of the final Lease Year.

For the years ended December 31, 2014 and 2013, Percentage Rent was \$109,204 and \$107,804, respectively.

- iii. **Capital Improvement Fund Deposits:** Tenant pays the lesser of (i) \$2,000 or (ii) Net Garage Revenues less Fixed Minimum Rent and expenses incurred by CWI-HRI French Quarter Property, LLC in the operation and maintenance of the garage (but not management fees paid to garage operator).

For the years ended December 31, 2014 and 2013, Capital Improvement Fund Deposit was \$24,000.

- 5) **Tenant Improvements:** CWI-HRI French Quarter Property, LLC may reimburse itself for the tenant improvements, as defined, from the capital improvements fund for the entire cost of the improvements. In addition, the Partnership may use percentage rent (see above) if the capital improvement funds are insufficient.
- 6) **Operating Costs and Insurance Premiums:** In addition to fixed minimum rent and percentage rent, CWI-HRI French Quarter Property, LLC shall pay monthly to CSDC its proportionate share, as defined, of all costs incurred by CSDC in maintaining, repairing, operating and insuring the leased premises.
- 7) **Utilities:** CWI-HRI French Quarter Property, LLC shall pay all utilities required, used or consumed in the leased premises.

Tenant Lease - Chifici Enterprises, Inc. d/b/a Deanie's Seafood:

In early 2000, CSDC entered into a lease with Chifici Enterprises, Inc., d/b/a Deanie's Seafood for the operation of a restaurant with ancillary bar, and catering facility, which lease was amended by that Amendment to Lease dated effective as of April 1, 2007.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

The primary terms of the lease is for ten years to commence the earliest of (i) 120 days following the Tenant's receipt of permits for Tenants Improvements, or (ii) the date the Tenant opens for business (as determined by the date of Tenant's Certificate of Occupancy or actual opening, whichever first occurs), or (iii) 180 days after the effective date of the lease (February 17, 2000) The latter option applied and the lease became effective on August 15, 2000. Deanie's has three options to extend the term for five years each and a fourth option to extend the term for two additional years. The term will include all renewal or extension terms that become effective by reason of the Tenant's exercise of an option.

- 1) Fixed Rent: During the primary term, the tenant shall pay landlord as fixed rent for the leased premises the sum of:

<u>Years</u>	<u>Base Monthly Rent</u>	<u>Fixed Annual Rent</u>
1-4	\$ 10,000	\$ 120,000
5-8	12,000	144,000
(through August 31, 2008 only)		
Sept. 1, 2008 - Year 10	15,000	180,000

Option Term Rent: Fixed Rent during the option term shall be adjusted in accordance with increases in the Consumer Price Index. The Tenant exercised the first option term and rent increased to \$227,416 annually.

Construction Period Rent: During the construction period, the Tenant shall pay the Landlord in an amount equal to \$1,000 per month.

For the years ended December 31, 2014 and 2013, Fixed Rent was \$227,416 and \$227,416, respectively.

- 2) Percentage Rent: None
- 3) Operating Costs: The tenant will pay a proportionate share of all costs incurred by the Landlord for management, operation, maintenance, or insurance of the building.
- 4) Real Estate Tax Expenses: The Tenant will also reimburse the Landlord for a proportionate share of expenses for real estate taxes paid, including, but not limited to, all real property taxes, rates, duties and assessments, local improvement taxes, import charges or levies, whether general or special, that are levied, charged or assessed against the Building by any lawful taxing authority, whether federal, state, county, municipal, school or otherwise.
- 5) Security Deposit: \$10,000

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. **LEASING ARRANGEMENTS (Continued):**

SAENGER THEATRE

Tenant - Saenger Theatre Redevelopment Company, LLC:

The Organization entered into a lease agreement with Saenger Theatre Redevelopment Company (the "Developer") commencing on December 29, 2011 for a term of 52 years. The developer's lease is for Saenger Theatre (including the Iberville Street Property) and 1101 Canal Street to renovate the Saenger Theatre to allow Broadway Presentations to be presented at the Saenger. The terms of the lease are as follows:

- 1) **Ticket-based Rent:** The Developer shall pay the following amount per paid ticket sold to ticket Presentations. Paid ticket shall mean a ticket having a face value in excess of \$5.00 to a presentation at the Saenger Theatre. The price per ticket amount on the opening date is \$1.50. The price per ticket shall be increased by 30% on January 1, 2022 (\$1.95) and shall be increased on the first day of each fifth calendar year thereafter by 15% of each then-current amount (\$2.24) based on the threshold of number of paid tickets below:

<u>Number of Paid Tickets Sold</u>	<u>Rent per Paid Ticket</u>
0-200,000	\$1.50
200,001-300,000	\$0.00
Over 300,000	\$1.50

For the years ended December 31, 2014 and 2013, ticket rent was \$200,100 and \$116,500, respectively.

- 2) **Office Rent:** The Developer shall pay CSDC the Landlord the sum of \$16,887 per year (which represents a rental of \$6.00 per square foot per year based upon the square footage of Saenger Theatres office space in the 1101 Canal Street Theatre, and 50% of any share office space, such as conference rooms) in rent attributable to Developer's and its Affiliate's use of office space in the 1101 Canal Street Theatre Space pursuant to the lease agreement, which rent shall be increased by 30% on January 1, 2022 and shall be increased on the first day of each fifth calendar year thereafter by 15% of each then current rental amount.

For the years ended December 31, 2014 and 2013, office rent was \$16,887 and \$4,456, respectively.

Billboard Lease:

In late 2009, CSDC assumed ownership of a billboard advertising lease effective November 8, 2009. Under the terms of the lease, the lessee shall pay 40% of gross receipts less agency commission. By verbal agreement with the previous lessor, the lessee pays \$1,333 per month to CSDC with an annual true-up payment to equal 40% of annual sales. The lease automatically renews from year to year unless one party notifies the other of its election not to renew. For the years ended December 31, 2014 and 2013, rental income was \$8,666 and \$22,161.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. **LEASING ARRANGEMENTS (Continued):**

PIAZZA D'ITALIA AND SURROUNDING PROPERTIES

The Organization leases the Piazza d'Italia and surrounding properties owned by the City of New Orleans, Louisiana (the "City"). The original Lease and Franchise Agreement dated November 9, 1992 between the City and the Organization was terminated and a new Lease Agreement dated June 28, 2002 replaced it. Under the new lease, fixed rent is one dollar (\$1) per year and was paid in full at the inception of the lease for the lease term commencing on June 28, 2002 and ending on June 27, 2101. In addition to fixed rent, the City is entitled to all receipts derived from the operations or activities of the Organization or subleases of the property (Gross Receipts) less any operating expenses incurred with the administration of the lease or otherwise incurred by the Organization pursuant to its annual budget as approved by the Council of the City.

Tenant - Premium Parking Facilities:

As a result of the merger on January 2013, the Organization assumed the lease for Parking Facility Management Agreement with Premium Parking Services LLC ("Premium"). The original lease, effective June 9, 2009, is to operate the parking lot adjacent to the Piazza d'Italia. The terms of the Parking Facility Management Agreement are as follows:

- 1) **Owner's Fee:** Premium agreed to pay the Organization \$55,000 per month (the "Owner's Fee"), payable in arrears.
- 2) **Year-End Payment:** In addition to the Owner's Fee, Premium shall pay 75% of all annual "Gross Revenue" of the Parking Lot in excess of \$825,000 during the lease term of July 1st to June 30th of each lease year.

"Gross Revenue" is defined as all sums collected by Premium for the parking and storage of motor vehicles, whether on an hourly, daily, weekly, monthly or special event basis, minus all sums paid by Premium on account of (i) any sales tax on the Parking Lot receipts and (ii) any parking tax related to the Parking Lot, but without deduction for any sums paid by Premium on account of any occupational license tax, personal property tax, or any other tax or charge attributable to the property, business or revenue of Premium (collectively "Tax") and without deduction for any cost or expense incurred in relation to the operation, administration or management of the Parking Lot.

"Gross Revenue" shall include all penalties, fines and other amounts paid to or collected or recovered by Premium in connection with enforcement of its parking rules and regulations, and shall be calculated without deduction for any sums expended by Premium in connection with enforcement of its parking rules and regulations, such as towing or booting expenses.

- 3) **Term and Termination:** The initial term of the Agreement commenced on July 1, 2009 and ended on June 30, 2010. At PDDC's sole discretion, the contract may be extended for five (5) additional consecutive periods of one (1) year each for a maximum term of six (6) years. On April 27, 2010, PDDC exercised its option to extend the Agreement for an additional period of one year commencing on July 1, 2010, and ending on June 30, 2011. On May 4, 2011, PDDC exercised

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. LEASING ARRANGEMENTS (Continued):

its right to extend the Agreement for an additional period of one year commencing on July 1, 2011, and ending on June 30, 2012. On April 4, 2012, PDDC exercised its right to extend the Agreement for an additional period of one year commencing on July 1, 2012, and ending on June 30, 2013. On May 1, 2013,

PDDC exercised its right to extend the Agreement for an additional period of one year commencing on July 1, 2013, and ending on June 30, 2014.

For the years ended December 31, 2014 and 2013, Premium Parking Services LLC ("Premium") paid Owner's Fees to the Organization of \$660,000. For the years ended December 31, 2014 and 2013, Premium Parking Services, LLC paid to PDDC contingent rental payments of \$505,593 and \$406,826, respectively.

RIVERGATE PROPERTY

The Organization leases the Harrah's Jazz Casino (the "Casino") and the surrounding areas (Casino premises, the Poydras Street Support Facility Premises, the Poydras Tunnel Area, the Lafayette Subsurface Area, the Pedestrian Bridge Areas and the Encroachment Area) owned by the City of New Orleans. The original lease dated March 15, 1994 is for a term of 30 years. The lease was amended on October 29, 1998.

Tenant - Harrah's Jazz Casino:

As a result of the merger on January 2013, the Organization assumed the lease with Harrah's Jazz Casino. The original lease was effective on March 15, 1994 to operate a gaming casino facility. The lease was amended on October 29, 1998. The primary terms of the lease is for thirty years with the option to extend the lease for three consecutive extended terms of ten years each.

The terms of the Casino lease are as follows:

- 1) Initial Lease Payment: On the effective date of the lease, the tenant paid to the Landlord a non-refundable payment of \$15,000,000.
- 2) Mobilization Payment: In addition to the Initial Lease Payment, the Casino paid to the Landlord a non-refundable mobilization payment of \$8,750,000, which was deemed earned on the effective date.
- 3) Fixed Rent: The Tenant shall pay the Landlord rent in the amount of \$5,000,000 per year for the first 5 years after the Opening Date. On the fifth anniversary of the opening date, the rent shall be increased by \$2,500,000 unless such increase would cause the rent to exceed 3% of Gross Gaming Revenues for the fiscal year immediately preceding the rental adjustment date, in which case the Rent for the 5 year period following the rental adjustment date will be greater of (i) the Rent for the fiscal year or (ii) an amount equal to 3% of Gross Gaming Revenues for the fiscal year.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

- 4) **Gross Gaming Payments:** In addition the rent, commencing on the opening date, the Tenant shall pay to the Landlord gross gaming payments based on gross gaming revenues. The gross gaming payments for each fiscal year shall equal the amount by which the gross gaming percentage amount for that fiscal year exceeds the rent payable in the same fiscal year.
- 5) **Audubon Payments:** Harrah's Jazz Company assumed, and Tenant has succeeded to Harrah's Jazz Company's obligation with respect to, the City's financial obligation in the amount of \$200,000 per year to Audubon Park Commission.
- 6) **Gross Non-Gaming Payment:** The Tenant, commencing on the opening date, shall pay to Landlord gross non-gaming payments based on gross non-gaming revenues. The gross non-gaming payments in any fiscal year shall be an amount equal to the sum of the following non-gaming minimum payments and non-gaming percentage payments. In no event shall the gross non-gaming payment be less than \$1,700,000 per fiscal year. The non-gaming percentage payment for each fiscal year is equal to 6% of the amount by which gross non-gaming revenues in that fiscal year exceeds \$28,333,333.
- 7) **Minimum Payment:** The minimum annual payments for Fixed Rent, Gross Gaming Payments, Audubon Payments, and Gross Non-Gaming Payments paid to the Landlord shall be \$12,500,000 per year. For the years ended December 31, 2014 and 2013, the minimum payments (fixed rent, gross gaming payments, Audubon park payments, and gross non-gaming payments from above) were \$12,500,000.
- 8) **City Payments:** Commencing on the opening date, Tenant shall make payments to the City (the "City Payments") in the amount of \$1,250,000 for each fiscal year during the term in which Tenant receives gross gaming revenues in the amount of \$350,000,000 or more. The City Payments shall be in monthly installments in the amount of \$104,167 each. If Tenant does not receive gross gaming revenue of the \$350,000,000 or more in a fiscal year, the credit for the City Payments made with respect to that fiscal year shall continue to be carried forward to the earliest succeeding fiscal year.
- 9) **Resident Parking Payment:** In the event that an ordinance of the City becomes effective creating a 24-hour residential parking zones and 24-hour residential parking programs in the French Quarter, Faubourg Marigny and/or Tremé, Tenant shall to the City within 30 days after opening the Casino the sum of \$60,000 for the first year of operation of the Casino to administer these programs.
- 10) **Trade Name Licenses:** In the event Tenant licenses to third parties the manufacturer and/or distribution of trademarked, copyrighted or other intellectual property, the licensing program will be open to third party applicants and local vendors who meet Tenant's licensing standards at reasonable and nondiscriminatory rates. For the years ended December 31, 2014 and 2013, there were no trade name licenses payments.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. LEASING ARRANGEMENTS (Continued):

- 11) School Board Payments: Tenant agrees to pay to the City \$2,000,000 per fiscal year (or pro rata amount during a partial fiscal year) during the initial term and any extended term after the opening date with the first payment to be made within 6 months after the opening date and thereafter on each annual anniversary.

The School Board Payments shall be dedicated to capital projects addressing health, safety, and teaching and learning environment issues in the school facilities, with any disbursement to the Orleans Parish School Board for such capital projects to be the sole responsibility of the City Council. The School Board Payments shall increase cumulatively on each anniversary of the opening date by a percentage equal to the annual percentage increase in the revised CPI.

- 12) Interim Payments: The Tenant has paid the Landlord the sum of \$50,000 each month for the period commencing on the day which was 60 days after the original amended lease execution date and ending July 1, 1994, the day the Tenant executed its initial casino operating contract.
- 13) Pre-Opening Date Rent: Tenant shall pay Landlord as pre-opening date rent the amount of \$736,000 per month on the first day of each month from the plan effective date through the opening date.
- 14) Second Floor Rent: On the execution date, the Tenant has entered into the Second Floor Rent. Payment is for the right not to develop the 2nd floor of the leased property, the casino. The payment is adjusted at the end of every 3rd calendar year by a percentage equal to the average increases in the CPI for the prior ten years. An adjustment based on the 10 years prior to January 1, 2013 will be made for 2013-2015.

For the years ended December 31, 2014 and 2013, Second Floor rent payment was \$525,466.

- 15) Additional Second Floor Rent: If the Tenant does not commence substantial operations on the Second Floor before December 31, 2012, then commencing January 1, 2013, Tenant shall pay Landlord the additional sum of \$250,000 annually until Tenant commences operations on the Second Floor.

For the years ended December 31, 2014 and 2013, Additional Second Floor Rent was \$250,000.

- 16) Additional Consideration: Tenant agrees to pay a non-compete annual payment of \$200,000 for neither the Tenant, JCC Intermediary, JCC Holding nor any Affiliate under Tenant's control shall operate a land based casino in the State of Louisiana or within two hundred mile radius of the Development during the term without prior consent of the Landlord.

For the years ended December 31, 2014 and 2013, Additional Consideration was \$200,000.

- 17) Marketing Payment: Commencing on the execution date and on each anniversary of the execution date thereafter during the term, Tenant shall contribute \$1,000,000 to the destination marketing program of the City for the joint benefit of the City and Tenant in order to promote the City and the Casino as destinations.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. **LEASING ARRANGEMENTS (Continued):**

Minimum Future Rental Income:

Minimum future rental income for the Organization on all direct financing leases as of December 31, 2014 for the years indicated are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2015	\$ 13,686,367
2016	13,356,367
2017	13,356,367
2018	13,356,367
2019	13,356,367
Thereafter	<u>91,086,980</u>
	<u>\$158,198,815</u>

5. **CASH:**

The bank balances and collateralization for deposit at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Total bank balances	<u>\$ 12,869,275</u>	<u>\$ 6,530,550</u>
Federal depository insurance	250,000	250,000
Pledged securities	<u>13,002,976</u>	<u>7,303,275</u>
Total collateral	<u>\$ 13,252,976</u>	<u>\$ 7,553,275</u>
Excess collateral	<u>\$ 383,701</u>	<u>\$ 1,022,725</u>

6. **CONCENTRATION OF CREDIT RISK:**

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. Cash is secured by FDIC insured banking institutions as well as pledged assets as illustrated in Note 5. Funds deposited by CSDC were insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 as of December 31, 2014. Receivables are principally with tenants who operate a hotel, apartment complex, garage, casino and parking lot. Tenants also sublease space for restaurants and retail establishments. Regular collection efforts generally result in all rents due to Canal Street Development Corporation collected timely; however, anything that would interrupt the usual course of business activity could affect the collection of rent. CSDC does not use an allowance for doubtful accounts since historically collection of receivables has not been at risk.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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7. OFFICE RENT:

The City of New Orleans entered into a lease for office space on behalf of CSDC. The lease is for a term of thirty-six months, ending on May 31, 2012. The lease was amended on June 26, 2012 for an additional term of twelve months, ending on May 31, 2013. CSDC moved out of the office space into a new office space in November 2014. Rent expense for the years ended December 31, 2014 and 2013 was \$-0- and \$30,389, respectively.

8. LEASE EXPENSES:

Effective February 17, 2000, Canal Street Development amended and restated the lease between itself and Mercier Realty and Investment Company for lease of the ground under a portion of CSDC's properties at 800 Iberville and ground under Deanie's leased premises. The lease calls for payment of:

- 1) Fixed rent adjusted annually for CPI for the Hotel Parking Garage which is located in part on land owned by Mercier Realty and Investment Company. Monthly fixed rent was \$10,405 from January 2013 to July 2013, \$10,607 from August 2013 to July 2014, and \$10,820 from August 2014 to December 2014.
- 2) 3% of the excess of annual net sales on the Hotel Parking Garage premises (exclusive of parking charges) over \$2,420,000. Currently, there are no income-producing entities under the garage lease to qualify for percentage rent calculation.
- 3) In lieu of percentage rent described above, CSDC pays additional rent calculated at 37.5% of base commercial rent collected by CSDC from Deanie's for the ground under Deanie's leased premises. Monthly fixed rent was \$7,107.
- 4) Fixed rent adjusted annually for CPI, up to 7% per year, for use of rear ramp of the Garage. Monthly rent was \$151 from January 2013 to December 31, 2013 and \$154 from January 2014 to December 2014.

For the years ended December 31, 2014 and 2013, lease expense was \$215,484 and \$213,318, respectively.

Future minimum lease payments under the Mercier lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 220,353
2016	220,353
2017	220,353
2018	220,353
2019 and beyond	257,078
	<u>\$ 1,138,490</u>

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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9. COOPERATIVE ENDEAVOR AGREEMENT (CSDC/DDD/City of N.O.):

Description of the Project:

The Canal Street Development Corporation (CSDC), together with the Downtown Development District (DDD) and the City of New Orleans (City) are sponsors of certain capital improvements to Canal Street from Claiborne Avenue to the Mississippi River. These capital improvements include repaving sidewalks, landscaping and generally contributing to the overall beautification of the Canal Street corridor.

In order to define and coordinate the rights and responsibilities of the co-sponsors of the project, CSDC, DDD and the City entered into a Cooperative Endeavor Agreement setting forth their respective financial obligations in connection with the project. In order to finance the proposed capital improvements, the Louisiana Public Facilities Authority, a public trust and public corporation of the State of Louisiana agreed to lend CSDC the proceeds of certain revenue bonds in the aggregate principal amount of \$9,680,000. The issuance date was September 25, 2002.

In 2004, the City of New Orleans entered into an \$11.5 million bond issuance, paying CSDC's remaining debt on the original issuance. Under the terms of the Cooperative Endeavor Agreement, CSDC and the DDD agreed to assume responsibility for repayment of the debt, with CSDC agreeing to make debt service on the bond issuance. CSDC has not been required to pledge assets, nor were they required to pledge future rents. The Cooperative Endeavor Agreement states payments will be made by CSDC provided cash flows are sufficient in any given year. Ultimately, the responsibility for payment of the debt lies with the City of New Orleans in the event that CSDC cannot make the payments.

The DDD has agreed to be responsible for payments on \$2,000,000 of the debt by payment to or reimbursement to CSDC, or approximately 17.39% of each debt service payment. As of December 31, 2013, DDD paid their share of \$2,000,000.

Financial Obligation of Canal Street Development Corporation:

Under the terms of the Cooperative Endeavor Agreement, CSDC agrees to:

- 1) make available to the City certain funds on hand in the amount of \$300,000 toward Project Costs;
- 2) make payments to the City Bond Trustee for all of the bond debt service on the City Bonds (provided that if CSDC's revenues are insufficient to make all or part of these debt service payments or CSDC's payments toward bond debt service exceed \$850,000 during any calendar year, then DDD's obligation to make up the \$300,000 of debt service payments annually to the City Bond Trustee shall become effective;
- 3) pay the DDD's portion during any calendar year where the DDD's tax revenues are insufficient or have not yet been collected to permit DDD to timely pay its obligations;
- 4) direct the \$500,000 made available by the City to be used solely to pay a portion of the Project Costs

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
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10. COOPERATIVE ENDEAVOR AGREEMENT (CSDC/City of N.O.):

On January 13, 2009, and subsequently amended June 16, 2009 and January 13, 2011, the Canal Street Development Corporation (CSDC) and the City of New Orleans entered into a Cooperative Endeavor Agreement to renovate and restore the building under the Saenger Theatre Renewal Project. The State of Louisiana has conditionally committed to providing the City with Disaster Community Development Block Grant (Disaster-CDBG) dollars to implement the Saenger Theatre Renewal Project. The Cooperative Endeavor Agreement was made and entered into to govern the transfer of Disaster Community Development Block Grant funding to CSDC to assist in implementation of the project and/or authorize CSDC as a sub-recipient for Disaster CDBG funds. Under the terms of the agreement, the City agrees to provide \$15,000,000 to CSDC for the reimbursement of up to \$3,190,000 of pre-development costs advanced in connection with the project, acquisition of 1101 Canal Street which abuts walls with the Saenger Theatre, and implementation and oversight of the project. The primary purpose of the 1101 Canal Street acquisition is to expand the footprint of Saenger Theatre and rehabilitate the building for commercial use.

Description of the Project:

The Saenger Theatre Renewal Project is a Special Economic Development Activity that provides for the rehabilitation of a privately-owned commercial building whose ownership will be transferred to the City via CSDC as part of a public-private arrangement with a loan and leasehold structure that will be entered into among the current owner of the Saenger Theatre, CSDC, the developer of the Project, the future operator of the Saenger Theatre, both of which are affiliates of the current owner of the Saenger Theatre, and other parties.

The Cooperative Endeavor Agreement states that CSDC will take ownership of the Saenger Theatre, fund a portion of the Project through the CDBG Project Funding, as obligated pursuant to the Public-Private Arrangement, and coordinate the scope of work to be performed at the identified property with the appropriate City of New Orleans departments, including, but not limited to: the Mayor's Office, Office of Recovery and Development Administration and designated program manager; City Planning Commission; Public Works; Sewerage and Water Board; Regional Transit Authority, Emergency Management; Historic District Landmarks Commission; and New Orleans Redevelopment Authority.

Under the terms of the Cooperative Endeavor Agreement, CSDC agrees to:

- 1) administer and coordinate the infrastructure planning, complex project management, renovation, redevelopment, and public relations, associated with the renovation and development of the Saenger Theatre Renewal Project in downtown New Orleans.
- 2) oversee the restoration and improvement of the historic public areas of the venue and the addition of an expanded stage house and support facilities to accommodate touring Broadway productions.
- 3) function as the administrator of the \$15,000,000 Disaster- CDBG funds.
- 4) cooperate with the City and any other contractors providing project-related services to City as reasonably required for the Project.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

11. COOPERATIVE ENDEAVOR AGREEMENT (CSDC/New Orleans Building Corporation):

In October 2011, the CSDC entered into a Cooperative Endeavor Agreement with New Orleans Building Corporation ("NOBC") to terminate the World Trade Center Lease in exchange for certain rights. The World Trade Center was originally leased by the New Orleans International Trade Building Corporation. The lease was later amended and the World Trade Center Lease was assumed by the NOBC in May 2001. The NOBC, World Trade Center, and the City of New Orleans desire to provide for the termination of the World Trade Center lease and the assumption of certain other assets. These assets include a lease between the World Trade Center of New Orleans, Inc. and the International River Center (the Hilton Lease). The Hilton lease includes the leasing of the parking garage building located adjoining the World Trade Center Building and consists of 1,000 self-car parking spaces (the Garage). In order to terminate the lease agreement, \$2,295,378 was paid to the World Trade Center of New Orleans, Inc. The CSDC agreed to transfer \$2,000,000 to NOBC for the sole purpose of paying a portion of the \$2,295,378 under the termination of the lease agreement and NOBC agreed to transfer the \$2,000,000 and \$295,378, representing the remaining balance, to the World Trade Center of New Orleans, Inc.

In consideration for the transfer of the \$2,000,000 by CSDC, NOBC granted to CSDC the right and authority to operate the Garage on a day-to-day basis, including the right to collect all revenues generated by the Garage, comprised currently of rents due from the Hilton Tenant, and the right to perform one or more audits of the Garage operations. NOBC shall maintain all liability for all landlord obligations under the Hilton Lease from and after the effective date of the termination of the lease agreement. CSDC agreed that upon receipt of revenues from the Hilton Lease, it will deposit all such Garage revenues in a segregated account. CSDC shall transfer to NOBC the first \$250,000 of all Garage revenues received during each Hilton lease year within 15 business days following the end of such Hilton lease year. The excess of Garage revenues received in each Hilton lease year over the \$250,000 (NOBC portion) shall be applied by CSDC towards payment of the indebtedness until the indebtedness is paid in full. As of December 31, 2014, the balance relating to this agreement was paid in full.

In addition to the above agreement, in November 2013, the Canal Street Development Corporation (CSDC) and the New Orleans Building Corporation ("NOBC") entered into a second Cooperative Endeavor Agreement in which CSDC agrees to provide standard accounting services and general administrative services. The NOBC will pay the CSDC a monthly rate of \$2,500 to perform the contracted services. The maximum sum payable under the agreement is \$30,000. Total accounting services paid to NOBC for the year ended 31, 2014 is \$30,000. The agreement was renewed in November 2014 through October 2015.

12. DUE TO/FROM THE CITY OF NEW ORLEANS:

In October 2001, the garage at 931 Bienville was sold at public auction for \$506,000. The Act of Sale on the garage was effective in February 2002. An Ordinance of the City of New Orleans declared that the proceeds from the sale were to be held in the Capital Fund to be used for CSDC purposes. These proceeds will be used to satisfy CSDC's out-of-pocket funding of the Capital Street Improvements Project, as described above. As of December 31, 2014 and 2013, the total due from the City was \$526,315 and \$506,000, respectively.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

12. DUE TO/FROM THE CITY OF NEW ORLEANS (Continued):

The City of New Orleans paid operating expenses on behalf of CSDC in the amount of \$489,225 and \$406,294 for the years ended December 31, 2014 and 2013, respectively. The operating expenses included salaries and related benefits. As of December 31, 2014 and 2013, \$65,264 and \$64,051 is due to the City of New Orleans for the payment of operating expenses, respectively.

13. LOAN RECEIVABLE:

On December 29, 2011, CSDC entered into a loan agreement with the Saenger Aggregator Leverage Lender, LLC (the Lender) in which CSDC loaned the Saenger Aggregator Leverage Lender, LLC \$13,156,431 in Community Development Block Grant funds so that the Lender may use the loan proceeds to finance the Saenger Theatre Redevelopment Project. Interest shall be payable quarterly in arrears on the 20th day of each January, April, July and October, commencing on January 20, 2012. Payments of principal and interest shall be payable out of available cash flow, determined in the CSDC's sole discretion, up to \$305,395 (each, a "quarterly payment"), with the entire unpaid balance of principal and interest payable on October 1, 2041. Interest shall accrue on the outstanding principal amount at the fixed rate of .1 % per annum. At December 31, 2014 and 2013, the loan receivable balance was \$13,156,422. At December 31, 2014 and 2013, accrued interest receivable balance was \$39,506 and \$26,350, respectively.

On December 29, 2011, Canal Street Development Corporation loaned \$800,000 to the Saenger Theatre Management, LLC. The funds were transferred to the Saenger Theatre Management, LLC on January 3, 2012. The purpose of the loan is for additional financing for the Saenger Theatre Redevelopment Project. Interest shall be payable quarterly in arrears on the 20th day of each January, April, July and October, commencing on January 20, 2012. Payments of principal and interest shall be payable out of available cash flow, determined in the CSDC's sole discretion.

The entire principal amount of the note, including all accrued and unpaid interest, is due on October 1, 2041. Interest shall accrue on the outstanding principal amount at the fixed rate of .1% per annum. At December 31, 2014 and 2013, the loan receivable balance was \$800,000. At December 31, 2014 and 2013, accrued interest receivable balance was \$2,393 and \$1,593, respectively.

14. MAINTENANCE AND USE AGREEMENT:

As a result of the merger on January 2013, the Organization assumed the agreement with the Loews Hotel for the maintenance and use of Piazza d'Italia parking. The Piazza Maintenance and Use Agreement was originally signed June 28, 2002 with Loews Hotel to share 50% of reasonable maintenance and repair costs with the Loews Hotel. Because of its proximity to the Piazza d'Italia and the availability of maintenance staff and equipment, Loews Hotel performs and coordinates maintenance activities in exchange for limited use of the Piazza for Hotel functions. Qualified maintenance costs of \$32,004 and \$32,894 were incurred by Loews Hotel for the years ended December 31, 2014 and 2013, respectively. The Organization's portion of these costs for the year ended December 31, 2014 and 2013 were \$16,002 and \$16,447, respectively, all of which was included within accounts payable as of December 31, 2014 and 2013.

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

15. CONSTRUCTION IN PROGRESS:

PDDC began design and development work for a \$1.8 million renovation and refurbishment of the Piazza d'Italia. The project is expected to be completed in two phases. The cost of the first phase was \$337,415 and was completed in November 2013. The cost was capitalized and will be depreciated over its estimated useful life. The second phase began in 2013 and is expected to be completed by mid-2015. Construction in progress on the second phase of the project totaled \$93,593 and \$30,216, respectively, for the years ended December 31, 2014 and 2013.

16. TRANSFERS TO THE CITY OF NEW ORLEANS:

As part of the Ordinance of City of New Orleans and RDC, on a quarterly basis, all funds not needed to satisfy the reasonably incurred obligations of RDC and that are in excess of the amounts budgeted and allotted for the subsequent quarter shall be transferred to the General Fund of the City of New Orleans. During the years ended December 31, 2014 and 2013, the amount transferred to the City of New Orleans was \$12,149,641 and \$13,410,411, respectively. The transfer to the City is reflected in the statement of activities.

17. CHANGE IN ESTIMATE:

During the years 2011, 2012 and 2013, the Organization and HRI Management were in the process of negotiating a fair value for fixed rent. During the process, the Organization and HRI Management agreed to continue to pay fixed rent based on the expired lease agreement with yearly CPI adjustments. In 2013, the organization estimated additional rent due for the years 2011, 2012 and 2013. The effect of the change in estimate increased net income by \$670,000 and is recorded as income on the statement of activities. In August 2014, the Organization and HRI Management settled all outstanding rent issues with a payment of \$750,000 from 800 Iberville.

18. NET ASSETS:

Temporarily Restricted Net Assets:

The donated real estate (D.H. Holmes Building, D.H. Holmes Annex, and parking garage) net of depreciation are classified as temporarily restricted by the act of donation between D.H. Holmes and CSDC. At December 31, 2014 and 2013, temporarily restricted net assets totaled \$5,115,132 and \$5,326,905, respectively.

Unrestricted-Board Designated Net Asset:

The Board designated unrestricted funds for the following purposes:

\$ 100,000	Designated in 2004 for use in the City's marketing campaign
<u>80,666</u>	Remaining funds from the 2001 designation for special purposes
<u>\$ 180,666</u>	Total board-designated unrestricted funds

CANAL STREET DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

19. **NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets are released from temporary donor restrictions by satisfying the restricted purpose.

20. **SUBSEQUENT EVENTS:**

Canal Street Development Corporation has evaluated subsequent events through June 26, 2015, the date which the financial statements were available to be issued.

In May 2015 a Request for Qualifications and Information was issued to solicit proposed development concepts for the property adjacent to the Piazza d'Italia currently operating as surface parking lots.

CANAL STREET DEVELOPMENT CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

<u>PROGRAM EXPENSES</u>	<u>2014</u>	<u>2013</u>
Consulting fees	\$ 20,467	\$ 21,036
Debt service	524,675	541,862
Depreciation expense	399,330	379,478
Maintenance expense	16,871	16,447
Lease expense	215,484	213,318
Professional fees	100,313	90,309
Total program expenses	<u>\$ 1,277,140</u>	<u>\$ 1,262,450</u>
 <u>GENERAL AND ADMINISTRATIVE EXPENSES</u>		
Administrative	\$ 33,378	\$ 42,383
Employee benefits	128,283	107,043
Insurance	314,833	73,106
Office rent	63	30,390
Salaries	360,942	299,251
Total general and administrative expenses	<u>\$ 837,499</u>	<u>\$ 552,173</u>

See accompanying independent auditors' report.

CANAL STREET DEVELOPMENT CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED DECEMBER 31, 2014

Agency Head Name: **Cynthia Connick, Executive Director**

<u>Purpose</u>	<u>Amount - Fiscal Year Reported</u>
Salary	\$ 141,253
Benefits - Insurance - Health	8,000
Benefits - Retirement	30,762
Benefits - Life Insurance	74
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	356
Travel	497
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouched expenses	-
Special meals	-

See accompanying independent auditors' report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Canal Street Development Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Canal Street Development Corporation (the Corporation) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise of the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Nettenville

New Orleans, Louisiana
June 26, 2015

CANAL STREET DEVELOPMENT CORPORATION
New Orleans, Louisiana

Schedule of Findings and Responses

Year ended December 31, 2014

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: unmodified opinion
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: none reported
- (c) Noncompliance which is material to the financial statements: none reported

(2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: none reported

(3) Status of prior year comments: none reported